

Message Text

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ACTION EB-08

INFO OCT-01 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06

AGRE-00 AID-05 CIAE-00 COME-00 INR-07 IO-13

LAB-04 NSAE-00 OIC-02 EPG-02 SIL-01 STR-04

TRSE-00 CEA-01 ISO-00 AF-10 ARA-10 EA-07 EUR-12

NEA-10 PM-05 NSC-05 SS-15 /138 W

-----065887 251438Z /45

R 251137Z JUL 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 9616

INFO AMEMBASSY BONN

AMEMBASSY BANGKOK

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY LA PAZ

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USLO PEKING

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USOECD ALSO FOR EMBASSY

USEEC ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: EMIN, UNCTAD

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SUBJ: MEETING OF THE AD HOC INTERGOVERNMENTAL GROUP OF
EXPERTS ON TUNGSTEN

1. SUMMARY. THE TRADE AND DEVELOPMENT BOARD-SPONSORED
AD HOC INTER-GOVERNMENTAL GROUP OF EXPERS TO TUNGSTEN (IGET)
HELD ITS FIRST MEETING JULY 18-22 IN GENEVA TO EXAMINE PROPOSALS
FOR STABILIZATION OF INTERNATIONAL TRADE IN TUNGSTEN. AFTER

EXTENSIVE PROCEDURAL WRANGLING, THE IGET DECIDED ON A FUTURE WORK PROGRAM (SEPTEL) DEVOTED TO AN IN-DEPTH EXAMINATION OF THE ECONOMIC, LEGAL AND ADMINISTRATIVE IMPLICATIONS OF VARIOUS PROPOSALS AND AGREED ON A NUMBER OF STUDIES DESIGNED TO ASSIST IN THIS EXAMINATION.

2. BACKGROUND: AT THE INSISTENCE OF TUNGSTEN-EXPORTING COUNTRIES, THE UNCTAD COMMITTEE ON TUNGSTEN IN 1973 BEGAN EXAMINATION OF VARIOUS MEASURES TO STABILIZE TRADE IN TUNGSTEN. THIS PROCESS BROKE DOWN AT THE TENTH SESSION OF THE COMMITTEE IN 1976 WHEN PRODUCERS INSISTED THAT CONSUMERS COMMIT TO THE NEGOTIATION OF A TUNGSTEN COMMODITY AGREEMENT ALONG TO LINES OF THE TIN AGREEMENT. AS A CONSEQUENCE OF THAT BREAKDOWN, PRODUCERS REQUESTED THE TDB TO CONVENE A CONFERENCE TO NEGOTIATE A COMMODITY AGREEMENT FOR TUNGSTEN. INSTEAD, THE TDB ESTABLISHED THE IGET TO EXAMINE TAND MAKE RECOMMENDATIONS TO THE COMMITTEE ON TUNGSTEN ON VARIOUS STABILIZATION PROPOSALS.

3. ALTHOUGH NOT AS CONTENTIOUS AS THE TENTH SESSION OF THE COMMITTEE ON TUNGSTEN, THE IGET MEETING WAS TENSE THROUGHOUT. PRODUCERS, LED BY BOLIVIA'S CARLOS ITURRALDE, TOOK THE POSITION THAT THE GROUP SOULD CONFINE ITSELF TO THE EXAMINATION OF STABILIZATION MEASURES WITHOUT ANY FURTHER CONSIDERATION OF THE UNDERLYING PRODUCTION, TRADE AND CONSUMPTION CONDITIONS IN THE TUNGSTEN INDUSTRY. WHILE PRODUCERS AGREED TO LIMITED OFFICIAL USE

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EXAMINE PROPOSALS SUBMITTED BY CONSUMERS, IT WAS CLEAR FROM THE OUTSET THAT THEY WERE PREPARED TO GIVE ONLY SUPERFICIAL CONSIDERATION TO SUCH PROPOSALS AND WANTED TO GROUP TO FOCUS ALMOST EXCLUSIVELY ON THEIR PROPOSAL.

4. MOST CONSUMERS, SOME OF WHOM EARLY IN THE MEETING SUBMITTED A US-SPONSORED PROPOSAL FOR A PRODUCER-CONSUMER CONSULTATIVE BODY ALONG THE LINES OF THE LEAD-ZINC STUDY GROUP ARGUED THAT IN ORDER TO PROPERLY EXAMINE THE VARIOUS PROPOSALS, THE GROUP SHOULD UNDERTAKE A NUMBER OF STUDIES OF THE TUNGSTEN INDUSTRY TO DETERMINE ITS UNDERLYING CONDITIONS AND THE IMPLICATIONS OF THESE CONDITIONS FOR THE VARIOUS PROPOSALS. PRODUCERS HEATEDLY REJECTED THE CONSUMERS' PROPOSED WORK PROGRAM, ARGUING THAT 1) THE GROUP'S MANDATE WAS ONLY TO EXAMINE AND ASSESS THE PROPOSALS AND NOT TO EXAMINE THE PROBLEMS OF THE INDUSTRY; AND 2) IN ANY CASE, THE PROBLEMS OF THE INDUSTRY WERE WELL-KNOWN AND NEDED NO FURTHER STUDY. IN SHORT, THEIR POSITION WAS THAT ANALYSES OF MARKET FACTORS TO DETERMINE THE FEASIBILITY OF VARIOUS PROPOSALS SHOULD NOT BE A PRECONDITION OF FUTURE DECISIONS BY THE GROUP.

5. AFTER EXTENSIVE DEBATE, PRDUCERS CONCEDED THAT, IF THEY

WISHED, CONSUMERS COULD UNDERTAKE SUCH STUDIES AS THEY DESIRED,
BUT THAT PRODUCERS WOULD NOT PARTICIPATE AND WOULD CONSIDER
PROVIDING INFORMATION ONLY AFTER CONSUMERS HAD PREPARED THEIR
PRELIMINARY REPORTS. AT THE SAME TIME, PRODUCERS DEMANDED
THAT UNDER THE GROUP'S WORK PROGRAM THEY BE ALLOWED TO
PREPARE A DRAFT COMMODITY AGREEMENT ALONG THE LINES OF
THEIR PROPOSAL.

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6. CONSUMERS REJECTED THE PRODUCER POSITION AND, AFTER
EXTENSIVE AND OFTEN ACrimonious DEBATE, THE PRODUCERS

AGREED TO DROP THEIR DEMAND FOR A DRAFT COMMODITY AGREEMENT,
AAGREED TO PARTICIPATE IN SOME OF THE STUDIES AND AGREED THAT
THE STUDIES BE LINKED TO THE EXAMINATION OF ALL PROPOSALS.
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7. THE FAVORABLE OUTCOME FOR CONSUMERS WAS, IN PART, THE
CONSEQUENCE OF A MORE MODERATE STANCE BY SOME PRODUCERS.
THE BOLIVIAN DELEGATE WAS CONSIDERABLY MORE SUBDUED THAN IN
PREVIOUS MEETINGS PRINCIPALLY BECAUSE THE CANADIAN, AUSTRIAN
AND AUSTRALIAN PRODUCERS DELEGATIONS WERE INTENT ON AVOIDING THE
TYPE OF CONFRONTATION THAT CAUSED THE BREAKDOWN IN 1976
COMMITTEE ON TUNGSTEN MEETING. OF THE PRODUCER DELEGATIONS,
THE PRC WAS MOST INTRANSIGENT, OPENLY REJECTING THE CONSUMER
PROPOSAL AND THE NEED FOR STUDIES, AND INSISTING ON A DRAFT
COMMODITY AGREEMENT UNTIL THE LAST MOMENT WHEN IT BECAME CLEAR
THAT THE IGET MEETING TOO WOULD BREAK DOWN IF THEY DID NOT
COMPROMISE.

8. CONSUMER COOPERATION WAS AT A HIGH LEVEL THROUGHOUT THE
MEETING. WHILE THE USSR WAS PREPARED TO IMMEDIATELY BEGIN
PREPARATION OF A DRAFT COMMODITY AGREEMENT, ALL OTHER CONSUMER
DELEGATIONS AGREED THAT ANALYSIS OF THE INDUSTRY MUST PRECEDE
EXAMINATION OF PROPOSALS. ACCORDINGLY, THE FRG, SWEDEN
JAPAN AND THE UK SUPPORTED THE US BOTH ON THE SUBMISSION OF
A PROPOSAL FOR A PRODUCER-CONSUMER CONSULTATIVE BODY
TO SERVE AS AN ALTERNATIVE TO THE PRODUCER PROPOSAL AND
ON THE SUBMISSION OF PREPOSED WORK PROGRAM, INCLUDING
STUDIES, FOR THE GROUP. FRANCE ALSO SUPPORTED OUR ANALYTICAL
APPROACH BUT PROPOSED THAT THE COMMITTEE ON TUNGSTEN BE
EXPANDED RATHER THAN A NEW BODY ESTABLISHED.

9. COMMENT: WHILE CONSUMERS WON THE PROCEDURAL BATTLE ON
THE FUTURE WORK PROGRAM, IT IS CLEAR THAT PRODUCERS REMAIN
ADAMANTLY OPPOSED TO ANYTHING BUT THEIR PROPOSAL FOR
STABILIZATION MEASURES FOR TUNGSTEN AND WILL ATTEMPT TO
FOCUS EXCLUSIVE CONSIDERATION ON THEIR PROPOSAL AT FUTURE
MEETINGS OF THE GROUP. VANDEN HEUVEL
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Message Attributes

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Disposition Approved on Date:
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